

109TH CONGRESS  
1ST SESSION

# H. R. 294

To amend the Internal Revenue Code of 1986 to extend to civilian employees of the Department of Defense serving in combat zones the tax treatment allowed to members of the Armed Forces serving in combat zones.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 20, 2005

Mr. HEFLEY introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to extend to civilian employees of the Department of Defense serving in combat zones the tax treatment allowed to members of the Armed Forces serving in combat zones.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TAX TREATMENT OF CIVILIAN EMPLOYEES OF**  
4 **DEPARTMENT OF DEFENSE IN COMBAT**  
5 **ZONES.**

6 (a) EXCLUSION OF COMBAT ZONE COMPENSA-  
7 TION.—

(1) IN GENERAL.—Subsection (d) of section 112 of the Internal Revenue Code of 1986 (relating to prisoners of war, etc.) is amended by adding at the end the following new paragraph:

“(4) CIVILIAN EMPLOYEES OF DEPARTMENT OF DEFENSE.—

“(A) SERVICE IN COMBAT ZONE.—Gross income does not include so much of compensation as does not exceed the maximum enlisted amount received for active service as a civilian employee of the Department of Defense serving in support of the Armed Forces of the United States for any month during any part of which such employee—

“(i) served in a combat zone,

“(ii) was hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone, or

“(iii) is in a missing status as a result of such service.

Clause (ii) shall not apply for any month beginning more than 2 years after the date of the termination of combatant activities in such zone.

1           “(B) MISSING STATUS.—For purposes of  
 2           this paragraph, the terms ‘active service’ and  
 3           ‘missing status’ have the respective meanings  
 4           given to such terms by section 5561 of title 5  
 5           of the United States Code.”.

6           (2) CLERICAL AMENDMENTS.—

7           (A) The heading for section 112 of such  
 8           Code is amended to read as follows:

9   **“SEC. 112. CERTAIN COMBAT ZONE COMPENSATION.”.**

10           (B) The item relating to section 112 in the  
 11           table of sections for part III of subchapter B of  
 12           chapter 1 of such Code is amended to read as  
 13           follows:

“Sec. 112. Certain combat zone compensation.”.

14           (3) EFFECTIVE DATE.—The amendments made  
 15           by this subsection shall apply to taxable years begin-  
 16           ning after December 31, 2004.

17           (b) ADDITIONAL ESTATE TAX NOT TO APPLY.—

18           (1) IN GENERAL.—Subsection (b) of section  
 19           2201 of such Code is amended by inserting “or  
 20           while in service as a civilian employee of the Depart-  
 21           ment of Defense serving in support of the Armed  
 22           Forces of the United States,” after “United  
 23           States,”.

24           (2) CLERICAL AMENDMENTS.—

1 (A) The heading for section 2201 of such  
 2 Code is amended by inserting “**AND DEPART-**  
 3 **MENT OF DEFENSE CIVILIANS**” after “**MEM-**  
 4 **BERS OF THE ARMED FORCES**”.

5 (B) The item relating to section 2201 in  
 6 the table of sections for subchapter C of chap-  
 7 ter 11 of such Code is amended to read as fol-  
 8 lows:

“Sec. 2201. Members of the Armed Forces and Department of Defense civilians  
 dying in combat zone or by reason of combat-zone-incurred  
 wounds, etc.”.

9 (3) EFFECTIVE DATE.—The amendments made  
 10 by this subsection shall apply to decedents dying  
 11 after December 31, 2004.

12 (c) NO TAX ON TOLL TELEPHONE SERVICE IN COM-  
 13 BAT ZONE.—

14 (1) IN GENERAL.—Subsection (d) of section  
 15 4253 of such Code (relating to servicemen in combat  
 16 zone) is amended by inserting “, or from a civilian  
 17 employee of the Department of Defense,” after  
 18 “United States”.

19 (2) EFFECTIVE DATE.—The amendment made  
 20 by this subsection shall apply with respect to  
 21 amounts paid after the date of the enactment of this  
 22 Act for services rendered on or after such date.

